

## ERGO

*Analysing developments impacting business*

### EPFO ON EXERCISE OF JOINT OPTION FOR HIGHER CONTRIBUTIONS: KEY TAKEAWAYS

9 June 2023 After a long period of uncertainty over a definitive stance taken by the Employees' Provident Fund Organisation (EPFO) on exercise of joint option for higher contributions under the Employees' Provident Funds Scheme, 1952 (EPF Scheme), the EPFO issued a circular dated 2 June 2023 (June Circular) detailing the applicable mechanism in this regard.

#### *Background*

While the EPF Scheme envisages mandatory coverage of employees earning monthly pay (comprising basic salary and ordinarily payable allowances) not exceeding INR 15,000, Paragraph 26(6) of the EPF Scheme provides that an officer not below the rank of an Assistant Provident Fund Commissioner may, upon the joint written request of an employee and a covered employer, enroll such employee as a member of the EPF Scheme or, if such employee is already a member, allow such employee to deposit employees' provident fund contributions on monthly pay exceeding INR 15,000.

Notwithstanding this provision, the on-ground realities have been different and often confusing thus far. As noted in our [previous update](#), employers have been depositing higher contributions on behalf their employees which have been generally accepted by the EPFO without raising any flags on the absence of the process set out under Paragraph 26(6) of the EPF Scheme. The EPFO even released a [circular](#) ratifying such approach, but it later [withdrew](#) the same with limited visibility on its stance in the matter. Even post such retraction, the practice by employers of directly depositing higher contributions without a formal approval process has been prominent.

#### *The June Circular*

The June Circular re-emphasizes the provisions of Paragraph 26(6) of the EPF Scheme and provides that an employee who intends to become a member of the EPF Scheme or contribute on monthly pay exceeding INR 15,000 would be required to submit a joint request along with their employer in the format appended to the circular, to the jurisdictional Regional Office. The process of submitting the request would be digital, and the concerned Regional Offices would be notifying the digital channels pursuant to the June Circular. In terms of timeline, the June Circular requires the concerned officials to allow coverage or higher contributions, as the case may be, within 7 days of receipt of the joint request. In respect of covered members who have already been making higher employees' provident fund contributions without a formal approval process, the June Circular clarifies that such members would also have to follow the above-mentioned process although this may be done at the time of final claim settlement.

#### *Comment*

The June Circular certainly brings in some clarity on an important process set out under the EPF Scheme, and it would be imperative for employers, particularly their human resources and payroll departments, to take note of the same. Having said that, what is concerning to some is the fact that the digital process of making joint requests has been left to the Regional Offices instead of having the mechanism set out in the already up-and-running Unified Portal of the EPFO operating at a pan-India level. It may be the case that the EPFO makes use of the said portal for joint request applications consequently, but clarity in this regard is awaited as of the date of this update.

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